

**CONCURRING STATEMENT
OF
COMMISSIONER ANDREW C. BARRETT**

Re: Joint Audit of Ameritech Telephone Companies, Consent Decree and Consent Decree Order

This Joint Audit and Consent Decree covers transactions in 1992 between Ameritech Operating Companies (AOCs) and nonregulated, management and support affiliate Ameritech Services, Inc. (ASI). The purpose of this audit was to determine whether Ameritech was in compliance with the Commission's affiliate transaction rules, and the joint auditors found: (1) problems with the lack of documentation to support ASI cost allocations to affiliates, and (2) discrete findings of misallocations. The settlement agreement under the consent decree has achieved substantial accounting improvements sought by the joint auditors, and requires Ameritech to employ an outside auditor to evaluate compliance with terms of the decree within two years following the agreement. Ameritech also has agreed to make voluntary payments to the United States Treasury, as well as to the states of Wisconsin and Ohio.

I support this action addressing serious accounting problems by AOCs as revealed in the course of the Joint Audit, which may have resulted in cost misallocations associated with ASI services. It is necessary to emphasize, however, that this audit report finds no ratepayer harm, even if the misallocations were corrected, due the AOCs' practice of setting prices below their price cap level. I do not disagree with this Consent Decree to the extent that Ameritech has agreed to this settlement. I concur, however, because I question the intrusive purpose of including monetary payments in this settlement agreement despite the lack of harm to ratepayers. I am concerned that the Joint Audit's findings are focused specifically on a failure to provide documentation, which are most appropriately addressed by procedural requirements and subsequent audits. Given that this Decree is not pursued as an enforcement action, and correcting for the misallocations would lead to no rate reductions for ratepayers, I do not believe that a further requirement of monetary payments is appropriate in this instance.

JAN. 23. 1998 9:52AM

MCI CCM

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D C. 20554

FCC 95-222

In the Matter of)	
)	
AMERITECH TELEPHONE)	
COMPANIES)	AAD 95-74
)	
Public Release of Information)	
Obtained during Joint Audit)	

MEMORANDUM OPINION AND ORDER

Adopted: June 9, 1995

Released: June 23, 1995

By the Commission: Commissioner Quello concurring in the result; Commissioner Barrett concurring and issuing a statement.

I. INTRODUCTION

1. By this Memorandum Opinion and Order, we release to the public certain financial information obtained jointly by Commission and state regulatory agency auditors during a joint federal/state audit of the Ameritech Telephone Operating Companies ("AOCs") transactions with their affiliate, Ameritech Services, Inc. ("ASI"). The information to be released is contained in the Joint Audit Report package prepared by the joint audit team at the audit's conclusion. Pursuant to Section 220(f) of the Communications Act of 1934, as amended,¹ we release this Joint Audit Report package to the public. Although this will disclose information the joint audit team obtained from Ameritech, we emphasize that we are not adopting the Joint Audit Report package or endorsing the analysis and conclusions in it.

II. BACKGROUND

2. The audit examined transactions between the AOCs and their ASI affiliate occurring from 1989 to 1992. The audit team's objective was to determine compliance with the Commission's affiliate transactions rules, as codified in 47 C.F.R. § 32.27, which prescribe federal accounting requirements for recording transactions between regulated carriers and their nonregulated affiliates on the carriers' regulated books of account.

¹ 47 U.S.C. § 220(f).

3. At the audit's conclusion, the audit team prepared a Joint Audit Report package that contains the following: (1) the joint audit report; (2) Ameritech's response to the joint audit report;² and (3) the audit team's Reply Comments. The joint audit report and Reply Comments provide the audit team's final conclusions regarding the audit. Ameritech does not object to release of the Joint Audit Report package.³

III. DISCUSSION

4. Section 220(f) of the Communications Act prohibits Commission personnel from disclosing publicly facts and information obtained during an audit, absent a Commission or court order. This Commission does not routinely publicly release audit reports prepared by Commission staff.⁴ Under the circumstances of this joint audit, however, we believe that it is in the public interest to disclose to the public the Joint Audit Report package. The Joint Audit Report and Reply Comments within that package set forth the audit team's final conclusions regarding this joint audit. Publication of those conclusions will enable the public to learn about the joint audit process and its inherent benefits, which we believe are substantial. By combining the expertise of federal and state agencies, joint audits enable both this Commission and the state commissions to use their auditing resources more effectively. Joint audits can also ensure that this Commission and the states act consistently in the pursuit of common goals and ideals. For example, here, the joint audit team reviewed Ameritech's accounting for affiliate transactions. This is a matter of mutual federal-state concern that could become the subject of other investigations or actions by this Commission and its state counterparts. Lastly, disclosure will alert interested persons, including customers, to the audit team's conclusions and thus promote further scrutiny to the benefit of ratepayers and the public. Accordingly, we disclose to the public the Joint Audit Report package.

² Following initial consultations with Ameritech, the audit team made revisions to the draft audit report that the team felt were warranted. Thereafter, on October 28, 1994, the audit team forwarded the draft audit report to Ameritech for its final comments and any identification of proprietary information. The audit team asked Ameritech to file these comments on or before November 18, 1994, afterward extending the deadline to November 28, 1994. In spite of this extension, Ameritech did not file its comments until December 16, 1994. Although the audit team considered that Ameritech had been afforded ample opportunity to file within the declared timeframe, the team decided that it would be impractical to ignore Ameritech's filing which was subsequently revised during settlement negotiations with the audit team.

³ In a concurrent action, the Commission has adopted a Consent Decree by which the parties agree to resolve the issues identified in the Joint Audit Report package through a settlement agreement. Pursuant to that settlement agreement, Ameritech has consented to the release of the Joint Audit Report package. See Consent Decree Order, FCC 95- , released June 23, 1995 (Consent Decree).

⁴ See National Exchange Carrier Ass'n, Request for Confidential Treatment of Certain Financial Information, Memorandum Opinion and Order, 5 FCC Rcd 7184, 7185, n.15 (1990) (Commission's general policy is to preserve confidential status of audit reports); Martha H. Platt, On Request for Inspection of Records, Memorandum Opinion and Order, 5 FCC Rcd 5742, 5743, n.8 (1990).

5. We emphasize that in disclosing this information, we are not adopting any portion of the package or endorsing any of the analysis or conclusions contained in it.

IV. ORDERING CLAUSES

6. Accordingly, IT IS ORDERED, pursuant to Section 220(f) of the Communications Act of 1934, as amended, 47 U.S.C. § 220(f), that WE HEREBY DISCLOSE to the public certain financial information obtained during the joint audit of the Ameritech Telephone Operating Companies and their affiliate, Ameritech Services, Inc.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton
Acting Secretary

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COMMISSIONER ANDREW C. BARRETT

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CERTIFICATE OF SERVICE

I, John E. Ferguson III, do hereby certify that copies of the foregoing Reply Comments of MCI on the Matter of the Amendments to Uniform System of Accounts for Interconnection were sent, on this 26th day of January, 1998, via first-class mail, postage pre-paid, to the following:

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Reply Comments of MCI Telecommunications
January 26, 1998

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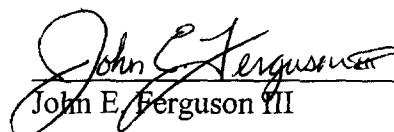
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